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DIRECTORATE OF
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Central Intelligence Bulletin

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South Vietnam: South Vietnamese Air Force units at the Tan Son Nhut headquarters complex have been put on alert and the National Police guard force there has been doubled as a result of new coup rumors in Saigon.

There is no evidence of any actual coup plotting in the initial reporting from Saigon, however, and the top leadership there does not seem unusually nervous. Nevertheless, even these limited precautionary measures might undercut government efforts to develop an image of stability, confidence, and constitutionality. Regime opponents almost certainly will seek to exploit this evidence of regime nervousness, and considerable behind-the-scenes political maneuvering is likely to ensue.

The coup rumors, the government's precautions, and any actual plotting that may have occurred come at a time of generally heightened political activity in Saigon. These all seem to be related to attempts to take advantage of the bitter reaction against the government's tax and price hike in late October. The reaction has been particularly strong among government and military officials.

For most of the past year, key military leaders apparently have recognized that the overthrow of the constitutional government would entail a serious risk of losing US support for the war effort. The recent flurry of coup rumors, however, suggests that some military officers again think that a coup might be a practical possibility. Those opposition elements who fear Vietnamization is a prelude to a deal with the Communists, rather than a way to continue the fight in the absence of progress on negotiations, may also be persuaded to think in terms of a coup.

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The government's failure to keep opposition elements convinced of its stability is partly caused by President Thieu's growing suspiciousness and his consequent tendency to isolate himself from all but a close group of advisers. Thieu's handling of the austerity tax and his public position on the My Lai affair both point to an insensitivity to the political situation.

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Japan: Economic issues are playing an important part in the current election campaign.

Opposition party candidates for the general elections on 27 December are largely ignoring international issues like Okinawa and focusing on bread-and-butter matters such as continuing inflation and growing rice surpluses. The ruling conservative party candidates are also playing up local issues, but at the same time are benefiting from popular reaction to the Okinawan reversion settlement.

Popular concern centers particularly on higher than usual increases in consumer prices in recent months. Inflation is having a particular impact on the rural population, which traditionally has been a primary source of electoral support for the ruling conservatives. Rural voters are especially concerned over the government's decision this year not to increase the prices paid to rice producers.

The Sato administration, however, is reluctant to take any more drastic measures, such as cutting subsidy payments to reduce the growing rice surplus, just before the elections. Eventually, however, the government will have to find some politically palatable formula for reducing the rice surplus because the problem is going to get worse over the next few years.

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Indonesia: A harmonious Consortium meeting in The Hague accepted Indonesia's request for a high level of new aid, but there is likely to be disagreement over terms for settling Indonesia's debt at the meeting in Paris today.

The Intergovernment Group on Indonesia closed its two and one-half-day meeting in almost complete agreement concerning Indonesia's request for \$600 million in aid for a 15-month period ending April 1971. The amount requested is being supported by the International Monetary Fund and International Bank for Reconstruction and Development, and roughly matches pledges for \$500 million during the current year, not all of which was utilized. Food aid requirement is estimated at \$140 million and nonfood aid at \$460 million.

Although the meeting was not a pledge session, several delegations indicated their intentions to increase their assistance for the coming year. The Japanese and French delegations, which in the past have usually expressed serious reservations as to the total aid request and other aspects of the Indonesian situation, joined other donors in approving the request as well as Indonesia's over-all performance.

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Israel: The composition of Mrs. Meir's new coalition government indicates Israel's already tough foreign policy and military stance will be maintained.

The broad coalition which Mrs. Meir has finally hammered out in over a month of party negotiations gives cabinet representation to parties accounting for more than 100 of the 120 members of the Knesset. Those remaining outside--some 18 or so--are a mixed bag of Communists, mavericks, rightist rebels, and four members of former prime minister David Ben-Gurion's party.

The most striking change in the composition of the 24-member cabinet is the stronger presence of the rightist Gahal Party, which wrested six posts from Mrs. Meir; it previously had two. Gahal follows a militant hard line toward the Arabs and advocates increased Israeli settlement of the Arab lands and a "don't give an inch" policy regarding the return of the occupied Arab territories.

Mrs. Meir's Alignment holds 14 of the posts, including the key ministries of defense, foreign affairs, and finance. Gahal, however, appears to have obtained considerable leverage on policy through its ability to break up the national unity coalition.

Mrs. Meir could easily have formed a smaller coalition majority without either the religious parties or Gahal, but she preferred to establish the broader coalition to keep interparty differences within the family and to project the image of national unity. In so doing, Mrs. Meir apparently decided to sacrifice some flexibility both on domestic issues and in foreign policy. Thus it seems certain that Israel will remain uncompromising in its attitude toward a peace settlement.

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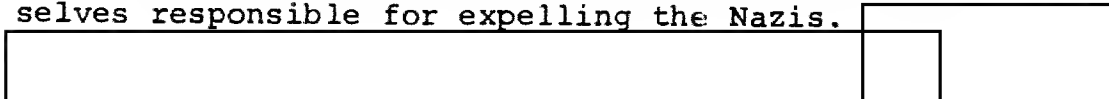
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Yugoslavia-Bulgaria: Talks in Belgrade at the foreign minister level reportedly were broken off temporarily on Tuesday.

Bulgaria's Ivan Bashev proposed a joint declaration in which Sofia would renounce its territorial claims on Yugoslav Macedonia if Belgrade would admit that Macedonians living in Yugoslavia are ethnically Bulgarian. The Yugoslavs rejected the offer out of hand, seeing it as undermining their own position that the Macedonians constitute a separate nationality. They also regard it as confirmation that Sofia, despite statements to the contrary, has no intention of dropping irredentism.

The Bulgarians possibly made the offer to discredit Belgrade's charge that Sofia is to blame for continuing polemics, knowing that it would be rejected. Belgrade also will probably fail to persuade Bashev that the Bulgarian press should stop claiming that its troops played a major role in liberating Yugoslavia during World War II. These claims infuriate the Yugoslavs, who consider themselves responsible for expelling the Nazis.



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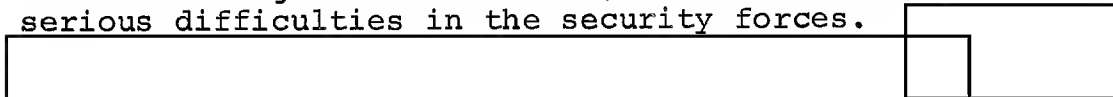
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Brazil: Charges of brutality toward prisoners could seriously embarrass the government.

25X1 The accusations, made by the news media and some members of the Catholic hierarchy, are an outgrowth of an all-out campaign to repress terrorism in several urban areas, especially Sao Paulo. Military and civilian security officials have arrested many suspected terrorists, their relatives, and other persons who might have information on terrorist activities. Those detained have included students, opposition politicians, and clergymen. Some prisoners have been tortured to extract information, and at least one person has died as a result of beatings. Several others have been severely injured.



25X1 The justice minister has said that the government has no evidence of torture, but will severely punish anyone found responsible for such acts. Officials of the new Medici administration apparently believe that a public investigation may be necessary to clear the government's name, but this could cause serious difficulties in the security forces.



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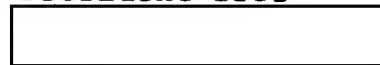
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Ecuador: President Velasco has replaced two cabinet ministers and is being pressured by striking teachers to remove the minister of education.

The new finance minister, Luis Gomez, apparently was chosen for his ability rather than allegiance to Velasco. The previous minister had failed to secure foreign loans to improve Ecuador's serious fiscal situation. In a surprise move, Velasco also replaced the secretary general of administration, reportedly because he had lost the President's confidence.

The country's teachers are entering the fourth week of their strike to bring about the dismissal of the minister of education. Because teachers traditionally enjoy considerable public support in Ecuador, Velasco has treated this challenge with unusual discretion. On 1 December he announced that the government was dipping into the 1970 budget for funds to give teachers some of the back pay owed them. The President's support for his minister of education, however, has not weakened publicly.

More cabinet changes may be in the offing. Sources close to the government say that the ministers have been talking about submitting their joint resignations in order to leave the President free to appoint a new cabinet in 1970.



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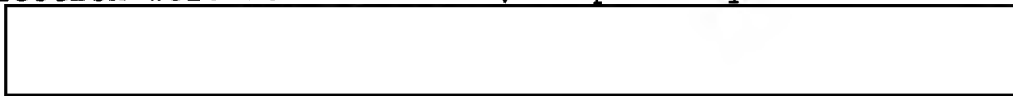
Canada: Prime Minister Trudeau's popularity has declined considerably, according to the latest Gallup poll.

The colorful leader's standing suffered particularly among English-speaking Canadians who are dissatisfied with his seeming preoccupation with Quebec and neglect of the problems of other provinces. He is also less popular among young Canadians than older people.

The Gallup poll findings differ to some extent from those of a poll conducted recently by Executive, a magazine directed at businessmen. By a margin of four to one, Executive readers indicated that they would vote to re-elect Trudeau and his Liberal Party confreres. It should be noted, however, that this poll was taken before the presentation of the government's proposals to raise taxes on small businesses and middle income earners.

Trudeau has been hurt by his off-the-cuff remarks such as the suggestion to Western farmers to "sell your own wheat." Also causing problems have been the government's lack of major progress in housing, poverty, and regional development, and its ineffectiveness in dealing with aid to Biafran refugees.

Although the Prime Minister's image has been tarnished, it has not been destroyed, however. If an election were held tomorrow, he probably would win.



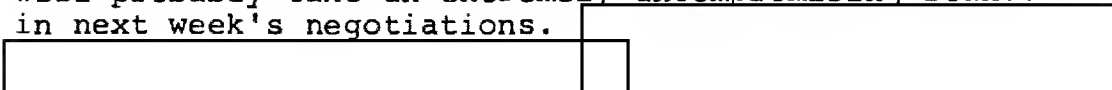
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Libya: The military junta may attempt to implicate the US in the coup plotting that led to the recent arrest of two cabinet members. Speaking over Libyan television, junta leader Qaddafi noted that the plot coincided with the beginning of negotiations on US withdrawal from Wheelus Air Base. He alleged that the plotters had "income or support from the bases." Qaddafi also alluded to former minister of defense Hawwaz's recent dealings with two US firms that have been having problems with the Libyan Government. Qaddafi's speech suggests that the Libyans will probably take an extremely uncompromising stance in next week's negotiations.



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Korea: Pyongyang has not commented as yet on yesterday's hijacking of a South Korean commercial airliner to North Korea. The circumstances are still under investigation by South Korean authorities. The Seoul government so far has responded in low key to the incident and has indicated to US officials that it will seek the release of the passengers, crew, and plane through the International Committee of the Red Cross and the Korean Military Armistice Commission. In an earlier hijacking case in 1958, this procedure resulted in the release within a month of the crew and those passengers choosing to return to South Korea. The plane was not returned.



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Japan-Philippines: Tokyo has suspended extending export credits to the Philippines. According to Japanese Ministry of Finance officials, future extensions will depend largely on what the Filipinos do to remedy their deteriorating foreign exchange situation. Tokyo probably believes that the Philippines could become, like Indonesia, unable to meet debt repayments.

Japan and most other major creditors would like Manila to accept International Monetary Fund (IMF) guidance in remedying the situation. So far Philippine government leaders have balked at any such suggestion because they think the terms would be onerous and grate on nationalistic sentiments. The growing pressure from creditors to rectify the country's foreign exchange difficulties, however, seems to be softening the Filipino attitude about accepting IMF guidance.

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European Communities - Spain: Negotiations last week on a preferential trading arrangement between the European Communities (EC) and Spain ended with one major and several minor points unresolved. It had earlier been hoped that the arrangement could be concluded at this meeting.

These negotiations, which Spain hopes will lead to its ultimate association or membership in the EC, are not expected to resume again until late January or early February.

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Chile: The nature and extent of military plotting against the Frei government has been further obscured by the confusing language of an army communiqué of 10 December. It listed some alleged conspirators, but said that none had been detained. Neither the role of General Roberto Viaux nor the activities and relationships of several disaffected officer groups have been clarified. Opposition political factions are clamoring for the government to release more information on the alleged plotting, and these demands are likely to be echoed by the increasingly confused public.

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